



KARDAN N.V.

Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardan N.V. (“Company”) on 30 May 2018

Agenda item 1

Opening

Agenda item 2

Presentation by the CEO on the Kardan Group activities for the financial year 2017 and discussion of the report of the Board on the financial year 2017

Agenda item 3

Discussion on the equity position of the Company (article 2:108a of the Dutch Civil Code)

This agenda item is a mandatory item for the General Meeting of Shareholders. In the event the equity of the company drops below 50% of its issued and paid-up capital the General Meeting should discuss whether any possible measures should be taken. In the case of Kardan, the issued and paid-up capital is EUR 12,302,225 while as at 31 December 2017 there is a deficit in equity amounting to EUR 5,900,000, pursuant to which this item has been placed on the agenda. The Board will present the possible measures that are being discussed.

Agenda item 4

Remuneration Report

Pursuant to the provisions of section 2:135 of the Dutch Civil Code, the items mentioned in section 2:383 (c to e inclusive) of the Dutch Civil Code, as included in the Remuneration Report (attached hereto as Annex 1) which forms part of the annual report 2017, are placed on the agenda for consideration and discussion by the shareholders. The items are: (i) remuneration of each member of the Board; (ii) options to acquire shares in the capital of the Company granted to members of the Board and/or employees; (iii) loans, advance payments and guarantees provided to members of the Board.

Agenda item 5

Adoption of the annual financial statements for the financial year 2017 (*decision*)

It is proposed to adopt the annual financial statements for the financial year 2017. The IFRS financial statements for the year 2017 were approved by the Board and published on 28 March 2018.

Agenda item 6

Dividend Policy

The Company’s dividend policy takes into consideration the level of net profit, liquidity and the capital position, future financing requirements, and financial covenants of the Company, all within the limitations of the law. If circumstances allow, the dividend policy recommends an annual distribution of between 20% and 30% of net profit. The Company reported a net loss over 2017 of EUR 17.1 million. Considering the result of the financial year 2017 the Board does not propose a distribution of dividend for the financial year 2017.



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It should further be noted that according to the Deeds of Trust of the debentures (series A and B) of the Company, the Company shall not distribute dividends until certain relief conditions have been met and 75% of the par value of the debentures (Series A and B) have been repaid.

Agenda item 7

Corporate Governance

The General Meeting is, in accordance with the Dutch Corporate Governance Code (“**Code**”), invited to discuss the Company’s approach towards the implementation of the Code as specified in the corporate governance statement 2017, which is placed on the Company’s website and deemed an integral part of the annual report of 2017 of the Company. The new Code, introduced in 2016 and applicable as of 2017, did not lead to any material changes in the Company’s governance framework in 2017.

Agenda item 8

Appointment of the external auditor for the financial year 2018 (*decision*)

It is proposed to reappoint PricewaterhouseCoopers Accountants N.V., Amsterdam, the Netherlands and PricewaterhouseCoopers, Israel (jointly “PwC”), as the external auditor responsible for auditing the annual accounts for the financial year 2018.

Agenda item 9

Discharge from liability of the members of the Board in respect of the exercise of their duties during the financial year 2017 (*decision*)

This agenda item is a standard item in an annual general meeting of shareholders in the Netherlands. A discharge (“*décharge*”) granted to the members of the Board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the Board towards third parties. It is proposed to grant discharge to the members of the Board in respect of the exercise of their respective duties throughout the year 2017, *only* to the extent that such exercise is apparent from the annual report of 2017 or has been otherwise disclosed to the General Meeting prior to the adoption of the financial statements of 2017. The discharge does thus not cover facts that were not disclosed to the General Meeting prior to the adoption of the financial statements of 2017. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

Agenda item 10

Approval of amendment to the services agreement with Kardán Israel Ltd. (*decision, special General Meeting majority*)

Background

Pursuant to the Services Agreement, effective as of 1 May 2005, and as amended from time to time, Kardán Israel Ltd. (KIL) provides certain services to the Company, in the manner as required by the Company. These services include, inter alia: legal counselling and legal services, including submitting reports to the Israeli authorities in connection with the Company’s listing on the Tel Aviv Stock Exchange; day to day accounting services with respect to the Company’s bank accounts in Israel; payments to service providers in Israel, contact with financial institutions and the capital market in Israel, including meeting preparations and presentations on the activities of the Company



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to analysts, various entities in the capital markets, financial institutions and banks; preparing information reports and maintaining an ongoing relationship with the Israeli capital market.

In consideration for the above services, during the period from 1 January until 31 August 2017 the Company paid KIL a yearly Consulting fee in the amount of NIS 550,000, excl. VAT ("Consulting Fee").

In addition, the parties agreed that KIL will provide services of advice, consultation and assistance in raising equity and debt financing for the Company, and for these services KIL is entitled to receive a fee in the amount of 0.25% of the total net amount that will be realised, including amounts that will be used for refinancing ("Commission Fee"). This Commission Fee will not be paid for funds raised from banks and financial institutions. All the services described above are provided in accordance with the instructions received from time to time by the Company.

Description of the transaction, parties, dates, and terms:

Due to changes made to the business and organizational structure of KIL and of the Company, and in view of further review of the Services provided to the Company by KIL and the scope thereof, as from 1 September 2017 the Services provided by KIL to the Company were reduced to three service components (the "Service Components"). Economic services and contact with the local capital market, accounting services and secretarial services. The Services are provided through employees who are employed by and/or provide service to KIL and/or to Kardán Israel Group companies. In consideration for the aforementioned services, the Company pays to Kardán Israel a reduced consulting fee of NIS 200 thousand per annum for all Service Components, linked to the CPI for July 2017.

It was further agreed with KIL that the Services or any component thereof (in whole and not partially) may be terminated during the term of the agreement by mutual agreement of the parties. Furthermore, the Services or any component thereof may be terminated during the term of the services agreement, by unilateral written notice to be provided to the other party 60 days in advance. The Company may waive the Services, in whole or in part, during the aforementioned 60 days' notice period - but would be required to pay to KIL the full consideration for the 60 days' notice period.

All other terms and conditions of the agreement remained unchanged, including with regard to the Commission Fee payable to KIL.

KIL committed to indemnify the Company in case of any taxes being imposed on the Company (such as social security, unemployment tax and so forth) with respect to payments made to KIL or to employees of KIL who provide the services. Subject to the approval of the General Meeting, the services agreement is effective retrospective as of 1 September 2017 through 31 August 2020.

Details of the various services provided according to the amended Service Agreement, the Service Fee to be paid for each component and the number of employees providing the Services:

Type of service	Annual costs (in NIS thousands)	Allocated time spent	Number of employees and profession
Economic service component (a)	63	10%	Senior economist
Accounting service component	50	15%	2 bookkeepers
Secretarial service component	40	20%	
Employees' cost and related office cost (b)	47		
Total	200		



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- a) The economist and investor relations services include, amongst others: preparing presentations, preparing valuations and examining various valuations conducted as part of the Company's daily operations, giving presentations regarding the Company, holding meetings with different stakeholders, providing regular updates related to the Company's status and its results, maintaining relationships with capital market players (including debenture holders of the Company and the trustees of the debenture holders).
- b) The cost of the employees mentioned above and office costs, including electricity, taxes, maintenance, computer, prints, telephone and office equipment, cleaning, insurance, deliveries, depreciations, etc. In addition, the services include one meeting room / office available for use of the Company.

The proposed decision:

It is proposed that the General Meeting approves that the Company enters into an amendment to the Services Agreement with Kardan Israel Ltd., effective as of 1 September 2017 until 31 August 2020, as detailed above.

The majority required for approval of the decision:

Due to its listing on the TASE, the Company included in its Articles of Association certain clauses which give rights to minority shareholders in connection with the approval of transactions with Holders of Control (as defined in the Articles of Association) similar to rights they would have under the Israeli Companies Law ("Special GM Majority, as defined in the Articles of Association). The Company's Holders of Control jointly hold (indirectly) 40.91% of KIL's shares (via holding 50.77% of Kardan Yazamut (2011) Ltd., which holds 100% of KIL's shares) and therefore, by entering into an agreement with KIL, the Company would enter into an Extraordinary Transaction with another person (being KIL), in which transaction the Holders of Control have a personal interest. As such, according to article 7.2b of the Articles of Association, this resolution of the General Meeting of Shareholders requires a special GM Majority.

The Controlling Shareholders with personal interest in the transaction:

The controlling shareholders of the Company are Mr. Grunfeld, Mr. Schnur and Mr. Rechter, holding directly and through companies they control (together: 'the Controlling Shareholders'), approximately 17.47%, 16.55% and 3.45%, respectively, of the shares of the Company and the voting rights. The Controlling Shareholders have an agreement regarding their holdings in the Company and therefore they are considered to be holding the shares together.

The personal interest:

The personal interest of the Controlling Shareholders is a result of their holdings in 50.77% of the shares of Kardan Yazamut (2011) Ltd., which is the sole shareholder of KIL. In addition, the Controlling Shareholders have personal interest as a result of their board memberships in Kardan Yazamut and/or KIL and Kardan NV.

Determination of the Consulting Fee:

The Consulting Fee was determined after negotiation between the parties, while considering the scope of the Services to be provided by KIL to the Company according to the Amended Service Agreement, and the cost of the Services to KIL. For that the following was checked: hours to be spent by each employee of KIL for the Services, the respective cost of these employees, plus 5%, and the respective fixed costs of KIL.

The required approvals:

- a) The Board approved the Amendment to the Service Agreement with a special majority (as defined in the articles of association of the Company), in its meetings on 4 September 2017 and 17 April 2018.
- b) The board of KIL approved entering into the Amendment to the Service Agreement in its meeting on 2 October 2017.



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- c) The audit committee and the board of Kardan Yazamut approved entering into the Amendment to the Service Agreement in their meetings on 2 October 2017. In addition, the general meeting of shareholders of Kardan Yazamut approved the transaction on 7 November 2017.
- d) The transaction is subject to the approval of the General Meeting of the Company.

Similar transaction signed in the last two years or are still valid:

See 'Background' above.

Summary of the Board's reasons for approval of the transaction:

- a) The headquarters of the Company is in the Netherlands while its securities are listed both in the Netherlands and in Israel. Accordingly, the Services are required to enable the Company to operate effectively.
- b) Due to changes made to the business and organizational structure of Kardan Yazamut, KIL and of the Company, the Services provided by KIL to the Company were reduced. Accordingly, the Consulting Fee was also reduced. Therefore, the consideration agreed between the parties for the amended Service Agreement is fair and reasonable, according to the information presented by KIL, correctly reflects the cost of the Services to KIL and therefore it is acceptable to the management of the Company.
- c) As required by the articles of association of the Company, the Board has approved the transaction unanimously and with special majority, and approved that the consideration is reasonable and fair.

The directors participating in the discussions:

All the members of the Board, except the Controlling Shareholders, participated in the discussions regarding the transaction.

The directors with personal interest in the transaction:

Mr. Grunfeld and Mr. Rechter which are appointed as non-executive board members, and are Controlling Shareholders, and Mr. Schnur, which was a non-executive board member until 21 March 2018, and is also a Controlling Shareholder, have personal interest in the transaction.

Agenda item 11

Appointment of Mr. Houterman as independent non-executive member of the Board (decision)

The proposal is, in accordance with the recommendation of the Remuneration, Appointment and Selection Committee, and the nomination of the Board, to appoint Mr. Ferry Houterman as independent non-executive member of the Board for a term starting as of his appointment in this General Meeting of Shareholders and ending at the end of the Annual Meeting of Shareholders to be held in 2022.

The Board has nominated Mr. Houterman because of his extensive experience as executive and non-executive director of various companies such as Rabobank Amsterdam and Hampshire Hotel Group. Mr. Houterman also serves as a member of the Supervisory Board of Tahal Group International B.V. and therefore has valuable knowledge of part of the business of the Kardan Group of companies. Mr. Houterman is the current owner of HMC B.V., a consultancy firm. Mr. Houterman holds no shares in Kardan N.V., is no relative of any other interested party in the Company, is no employee of the Company, an associate company or an interested party and is to be considered an independent non-executive member as defined in the Articles of Association.



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The personal details of Mr. Houterman are as follows:

Name:	Ferdinand Ignatius Matheus Houterman
Date of birth:	30 September 1949
Citizenship:	Dutch
Independent director as defined in the Company's articles:	Yes
Has financial and accounting expertise:	Yes
Employee of the Company, an associate company or an interested party:	No
Education:	Teaching degree business administration and economics, NIMA marketing certificate A and B
Employment in the past five years:	Supervisory director in various companies (see below)
Director in other corporations:	Rabobank Amsterdam, Eden Hampshire Hotel Group, Tahal Group International B.V., RAI Amsterdam, CNV Trade Union, Metropole Orchestra
Relative of another interested party in the Company?	No

Agenda item 12

Remuneration of Mr. Houterman (non-executive member of the Board) (*decision*)

The proposal is to approve the annual remuneration of Mr. Houterman, subject to the shareholders approving his appointment as follows:

- EUR 26,000 for membership of the Board.

The remuneration is in line with Kardán's Remuneration Policy for non-executive Board members as adopted by the Annual General Meeting on 28 May 2015. It is noted that subject to Mr. Houterman's appointment as non-executive Board member, he will be eligible for appointment as a member of a Board Committee, in which case Mr. Houterman will receive an additional fee, all in line with the remuneration policy as mentioned.

Agenda item 13

CEO bonus for 2018 (*decision*)

It is proposed that the CEO's variable remuneration for 2018 will consist of a short term incentive in the form of an annual bonus in the amount of up to EUR 200,000 (gross), conditional upon the achievement of specific targets, in relation to the outcome of negotiations relating to the debt obligations of the company as well as the progress of Kardán's real estate activities in China. There are no proposed changes to the other parts of Mr. Hasson's remuneration package as approved by the General Meeting in 2016.

The Board believes that the proposal for the remuneration of Mr. Hasson for 2018 is appropriate, given the performance of Mr. Hasson during his years of service and his valuable contribution to the realization of the long term value creation objectives of Kardán.



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Agenda item 14

Authorization of the Board to issue shares and to grant rights to subscribe for shares (*decision*)

In the General Meeting of Shareholders of the Company in May 2015, it was resolved to authorize the Board, for a period of 5 years, to issue shares in the capital of the Company and to grant rights to subscribe for such shares, relating to annually 10% of the total number of the issued shares at the time of such decision, and in the event of the Company granting rights to subscribe for shares to increase this authorization with a maximum of 5% of the total number of the issued shares at the time of such decision.

It is now proposed to extend the period of authorization of the Board to issue shares and grant rights with one year, i.e., until 28 May 2021, all under the same terms as approved in 2015.

Agenda item 15

Authorization of the Board to resolve for the Company to acquire its own shares (*decision*)

The proposal is to authorize the Board for a period of eighteen months as of 30 May 2018 to resolve for the Company to acquire, on the stock exchange or otherwise in return for payment, shares in the capital of the Company, within the limits of the law and the Articles of Association, which acquisition may not result in the Company (and/or one of its subsidiaries) holding (jointly) more than 10% of the shares in the Company's capital and at a price lying between the par value of such shares and 110% of the market value, whereby market value has the following meaning: the average of the highest price per share on each of the last five trading days on the Euronext Amsterdam prior to the date of acquisition, as published in the Daily Official List of Euronext Amsterdam, pursuant to which the authorization awarded to the Board during the annual General Meeting of 2017 will be revoked.

Agenda item 16

Any other business

Agenda item 17

Closing

Amsterdam, 17 April 2018

The Board

ANNEX 1 REMUNERATION REPORT

Remuneration Report

The Remuneration, Appointment and Selection Committee (RAS) Committee makes, among others, proposals to the Board regarding the fixed and variable remuneration (as applicable) of the individual Board Members. In accordance with the Articles, the final determination of the Board Members' remuneration (amount and composition) lies with the Company's General Meeting of Shareholders.

Remuneration policy for the non-executive Board Members

At the AGM of May 28, 2015 a new remuneration policy was adopted. This policy came into effect on June 1, 2015 and is as follows: each non-executive Board Member continues to receive a basic fee of € 26,000 per year. The Chairman of the Board receives a total fee of € 58,000 per year, including all committee fees. A committee chairman receives an additional fee of € 10,000 and committee members receive an additional € 8,000. In 2017 no changes were made to the remuneration policy.

The remuneration for non-executive Board Members consists of fixed remuneration only. A breakdown of the total remuneration as paid in 2017 is presented in the table below.

Mutations in Board positions during 2017 and 2018

Mrs. Seinstra (non-executive Board Member and Chairwoman of the RAS Committee) was not available for re-election at the AGM 2017, and subsequently resigned from the Board after the AGM 2017. Messrs. Van den Bos, Grunfeld and Rechter were reappointed to the Board during the AGM 2017 for an additional term of 4 years. In the EGM held on September 12, 2017, Mrs. Tall was appointed as non-executive Board Member. Mr. Marsman resigned from his position of non-executive Board member effective 1 January 2018, and Mr. Groen resigned effective 1 February 2018. Finally, Mr. Schnur stepped

down from his position of non-executive Board member effective 21 March 2018.

Mutations in Committee positions during 2017

Mr. Marsman was appointed as Chairman of the RAS Committee effective May 24, 2017, upon the resignation of Mrs. Seinstra from this position on the same date. When Mr. Marsman resigned from the Board, he also resigned as Chairman of the RAS Committee effectively 1 January 2018.

Mrs. Tall will replace Mr. Marsman as Chairwoman of the RAS Committee.

Non-executive Board Member ^{1,2}		Gross Remuneration in 2017 in €
Mr. P. Sheldon	Chairman of the Board; member of the Audit Committee and of the RAS Committee	58,000
Mr. C. van den Bos	Vice-Chairman of the Board and Chairman of the Audit Committee	36,000
Mr. M. Groen		26,000
Mr. Y. Grunfeld ²		26,000
Mr. B. Marsman	Chairman of the RAS Committee (from 24 May 2017) Member of the Audit Committee	43,203
Mr. E. Rechter ²		26,000
Mr. A. Schnur ²		26,000
Mrs. M. Seinstra	Chairwoman of the RAS Committee (until 24 May 2017)	14,340
Mrs. C. Tall		7,772

¹ Until the date of the 2017 annual report.

² Pursuant to the Articles, Board Members receive indemnification for losses, damages and costs which they may incur as a result of a claim or proceedings related to the fulfillment of their duties as Board Members (willful misconduct and gross negligence excluded). The Company accordingly has entered into indemnity agreements with the Board Members and the members of the Executive Management. It is noted that any agreement with a Board Member who is also Holder of Control is only effective upon approval of the General Meeting of Shareholders. No indemnification was granted in 2017.

Remuneration of the CEO in 2017

The remuneration of Mr. Hasson, CEO of Kardan, was approved by the shareholders during the AGM of 2016. The remuneration package entails an annual fixed remuneration, including allowances, a variable remuneration consisting of a discretionary bonus and a severance payment as further detailed below.

Fixed remuneration of the CEO

The CEO is entitled to receive a fixed monthly remuneration consisting of a salary for management services provided by him in the Netherlands, and a fee for consultancy services primarily in respect of the activities and investments of the Kardan Group, related to its non-Dutch operations. In addition the CEO was entitled to customary social benefits in the Netherlands, car, cellular telephone, etc. The total annual fixed remuneration for 2017 is estimated at € 355,000.

Variable remuneration – short term

The Board may decide, upon its sole discretion, to propose to grant the CEO a variable remuneration in the form of a bonus for each calendar year, based on his achievements during the relevant year and taking into account his total remuneration package. Proposals for his bonuses for 2016 and 2017, were submitted to the General Meeting for approval during the 2016 AGM. For the year 2017 the Board proposed a bonus of € 200,000 conditional upon the achievement of specific targets, principally in relation to the repayment of the maturities of existing outstanding debt due in February 2018. On 20 March, 2018, the Board concluded that since the Company was not able to make the contractual repayments in February 2018, the CEO would not be entitled to a bonus for the year 2017.

Severance Payment

The agreement between Kardan and the CEO can be terminated by either party. Each party has to give a 6 months' notice (the 'Notice Period') of an intention to terminate the agreement. If the CEO gives such notice, at any time after December 31, 2016, he will only be entitled to receive payment during the period in which he rendered services to the Company during the Notice Period. Should the Board decide that the CEO's services are not required during the entire Notice Period, he would still be entitled to receive the full six months' payment. If the Company initiates the termination, the CEO will be entitled to receive a full payment during the Notice Period, even if he was requested not to render any services to the Company during the Notice Period.

No severance payment will be due in the event that the Company terminates the CEO's engagement for cause.

Total remuneration

A breakdown of the total costs of the remuneration for the current CEO in 2017 is presented in the following table:

Element	Remuneration in 2017
Base Remuneration (including social benefits and allowances)	€ 355,000
Allowances in kind	company car, cell phone
Annual Bonus	€ 0
Pension	included in Base Fee
Total	€ 355,000

It is noted that the CEO has an incentive plan granted to him by TBIF in 2012 which was not affected by his appointment as CEO of the Company.

Pay-ratio

In line with the revised Dutch Corporate Governance Code, the internal ratio of the remuneration of directors of the Company and that of a representative reference group needs to be determined. For this ratio, Kardan deems most relevant the total remuneration³ of the executive Board member compared to the total average remuneration of all the employees of Kardan in the Netherlands. For the CEO a ratio of 4 applies.

Employee Options

In 2017 no additional options to acquire shares in Kardan were granted and no existing options were exercised by employees. However, 150,000 options expired and the total number of options granted to senior employees is therefore 100,000 as at December 31, 2017.

For further details regarding share-based payments see Note 18 of the consolidated financial statements.

Remuneration 2018

During the 2016 Annual General Meeting of Shareholders, the shareholders approved the proposed remuneration for the CEO for the years 2016 and 2017. At the 2018 Annual General Meeting of Shareholders, it is the intention of the Board to propose an amendment to the remuneration package for Mr. A. Hasson for the years 2018.

The remuneration package for Mr. Hasson entails a yearly fixed remuneration and a variable remuneration, consisting of a discretionary bonus and a severance payment. The fixed remuneration of Mr. A. Hasson consists of a salary for management services provided by him in the Netherlands and a fee for consultancy services primarily in respect of the activities and investments of the Kardan Group, with respect to its non-Dutch operation and certain allowances

³ The total remuneration is the Base Remuneration as specified in the table above.

('Base Remuneration'). The amount of the Base Remuneration remains unchanged. The total annual cost for the Base Remuneration for 2018 is therefore estimated at € 355,000.

With respect to the variable remuneration, the Board is proposing a bonus for Mr. Hasson for 2018 of maximum € 200,000, conditional upon the realization of specific targets, in relation to the outcome of negotiations relating to the debt obligations of the company as well as the progress of Kardan's property activities in China. Mr. Hasson has shared his view on his own remuneration with the RAS Committee, which view was considered in the evaluation of Mr. Hasson's remuneration package.

The Board believes that the proposal for the remuneration of Mr. Hasson for 2018 is appropriate, given the performance of Mr. Hasson during his years of service and his valuable contribution to the realization of the long term value creation objectives of Kardan. Moreover, the Board is of the opinion that the proposed remuneration package is aligned with the position of all stakeholders of Kardan.